

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 237 – SB 1043

March 15, 2015

SUMMARY OF BILL: Enacts the “Property Assessed Clean Energy Act (PACE)” that authorizes local governments to assess additional property tax on certain property for the purpose of repaying debt costs incurred as a result of clean energy projects completed on the property. Prohibits adding an assessment for projects on undeveloped lots or lots undergoing development, or when the purchase or installation of a product or device has not been permanently affixed on the real property. Requires a written contract between the applicable local government entity and the owner of the real property before any additional assessment is made to the property.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – Not Significant

Increase Local Revenue – Exceeds \$5,000/Permissive

Increase Local Expenditures – Exceeds \$5,000/Permissive

Assumptions:

- The establishment of a PACE program is at the discretion of the local government to implement; therefore any impact to local government is considered permissive.
- The Department of Environment and Conservation (TDEC) confirms the fiscal impact of this bill is not significant on department operations.
- The Comptroller of the Treasury reports that PACE projects would not require approval from the Comptroller’s office unless the loans that are financing such projects are balloon loans; however, the Comptroller also reports that the fiscal impact of this bill is not significant on departmental operations.
- Based on information from the County Technical Assistance Service (CTAS), this bill will increase local expenditures related to administering this program.
- The bill authorizes local governments to charge interest and fees; this will simultaneously limit exposure and pay for costs of administering a PACE program.
- The fiscal impact of this bill to local government is dependent upon several unknown factors such as the number of PACE projects undertaken, the locality for which any such projects are undertaken, the timing for when any such projects are undertaken, the extent to which any applicable local government will elect to implement a PACE program and assess additional property tax, the extent of any additional assessments, and the extent of costs for implementation.

- Given the extent of unknown factors, it is difficult to determine a precise fiscal impact to local governments. However, it is reasonable to presume that local governments will increase property tax revenue as a result of this bill in order to recoup certain financing costs. Therefore, the permissive increase in local property tax revenue is reasonably estimated to exceed \$5,000 statewide.
- The permissive increase in local expenditures is reasonably estimated to exceed \$5,000 statewide; such is presumed to be the costs incurred by local governments to develop and implement a PACE program. It is further presumed that the additional revenue derived from the additional assessments is sufficient only for covering all expenses incurred.
- Any fiscal impact to state government is considered not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink, reading "Jeffrey L. Spalding". The signature is written in a cursive, flowing style.

Jeffrey L. Spalding, Executive Director

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